

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C.

TOWARD THE TRANS-PACIFIC PARTNERSHIP: U.S. CONSULTATIONS WITH JAPAN

The United States began formal bilateral consultations with Japan on its interest in joining the Trans-Pacific Partnership (TPP) in February 2012, following an announcement by Japan in November 2011 that it would begin consultations with TPP member countries. Our consultations with Japan have covered a range of issues of bilateral concern with respect to the automotive and insurance sectors and other non-tariff measures, and also have included discussions focusing on Japan's readiness to meet the TPP's high standards.

Today, the United States is pleased to announce that we have agreed on a robust package of actions and agreements with Japan, and as a result, the United States has successfully concluded its consultations. These actions and agreements are detailed below.

Automotive

The United States has identified a range of serious, long-standing concerns related to the automotive sector. Japan has agreed through our consultations that U.S. tariffs on imports of Japanese motor vehicles will be phased out in accordance with the longest staging period for any other product in the TPP negotiations, and that phase-outs of these tariffs will be "back loaded" to take place at the end of the staging period. Furthermore, they agreed that treatment of these U.S. tariffs will substantially exceed the U.S. tariff treatment provided in the US-Korea Free Trade Agreement.

On April 12th, Japan announced its unilateral decision to more than double the number of motor vehicles eligible for import under its Preferential Handling Procedure (PHP), a simpler and faster certification method often used by U.S. auto manufacturers to export to Japan. In the near term, U.S. auto producers will be allowed to export up to 5,000 vehicles annually of each vehicle "type" under the PHP program, compared with the current annual ceiling of 2,000 vehicles per vehicle type.

The United States and Japan have agreed to address a broad range of non-tariff measures in Japan's automotive sector – including those related to transparency in regulations, standards, certification, "green" and new technology vehicles, and distribution – in a bilateral negotiation parallel to the TPP talks. In addition, they agreed to negotiate a special motor vehicle safeguard provision, as well as a mechanism to "snap back" tariffs as a remedy in dispute settlement cases. The range of issues for negotiation was agreed in a Terms of Reference (TOR – see attached) and the results will be included as enforceable commitments in the final bilateral market access package agreed between the U.S. and Japan in the TPP negotiations.

Insurance

In recent years, the United States has been underscoring its concern to Japan regarding the lack of a level playing field for U.S. companies in Japan's insurance market in relation to Japan Post Insurance. Through our consultations, both governments have agreed to address level playing field issues in the TPP negotiations, as well as through parallel negotiations to the TPP talks. In addition, Japan unilaterally announced on April 12th that it will refrain from approving new or modified cancer insurance and/or stand-alone medical products of Japan Post Insurance until it determines that equivalent conditions of competition with private sector insurance suppliers have been established and Japan Post Insurance has a properly functioning business management system in place, which Japan expects will take at least several years to achieve.

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(continued)

Non-Tariff Measures

The United States has expressed concern regarding a broad range of sectoral and cross-cutting non-tariff measures that impede U.S. exports to Japan. To the extent that these issues are not fully addressed in the TPP negotiations, they will be addressed through a bilateral, parallel mechanism, to be completed by the end of the TPP negotiations. *(See supplemental fact sheet for more details, including a description of the issues to be addressed.)*

Japan's Readiness for a High-Standard Agreement
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Through our bilateral consultations, the United States has placed a strong emphasis on ensuring that Japan, should it join the TPP negotiations, is prepared to conclude the kind of high standard trade agreement being negotiated by the current 11 TPP partners. In response, and in a Joint Statement with the United States on February 22, Japan made clear that it will subject all goods to negotiation and will join others to achieve a high standard and comprehensive agreement as described in the Outlines of the TPP Agreement announced by TPP leaders on November 12, 2011.

Growing a Strong Relationship

Should Japan join the TPP negotiations, its entry would increase the agreement's economic potential as negotiations expand to include one of the United States' biggest trading partners. Japan is currently the United States' 4th largest goods trading partner. The United States exported \$70 billion in goods to Japan in 2012 and \$44 billion in services in 2011. Adding Japan to the Trans-Pacific Partnership will lead to further opening of Japan's market to competitive, Made-in-America goods and services that support jobs here at home – as well as enhance the agreement's promise as the pathway to a Free Trade Area of the Asia-Pacific. With Japan's entry, TPP countries would account for nearly 40 percent of global GDP and about one-third of all world trade.